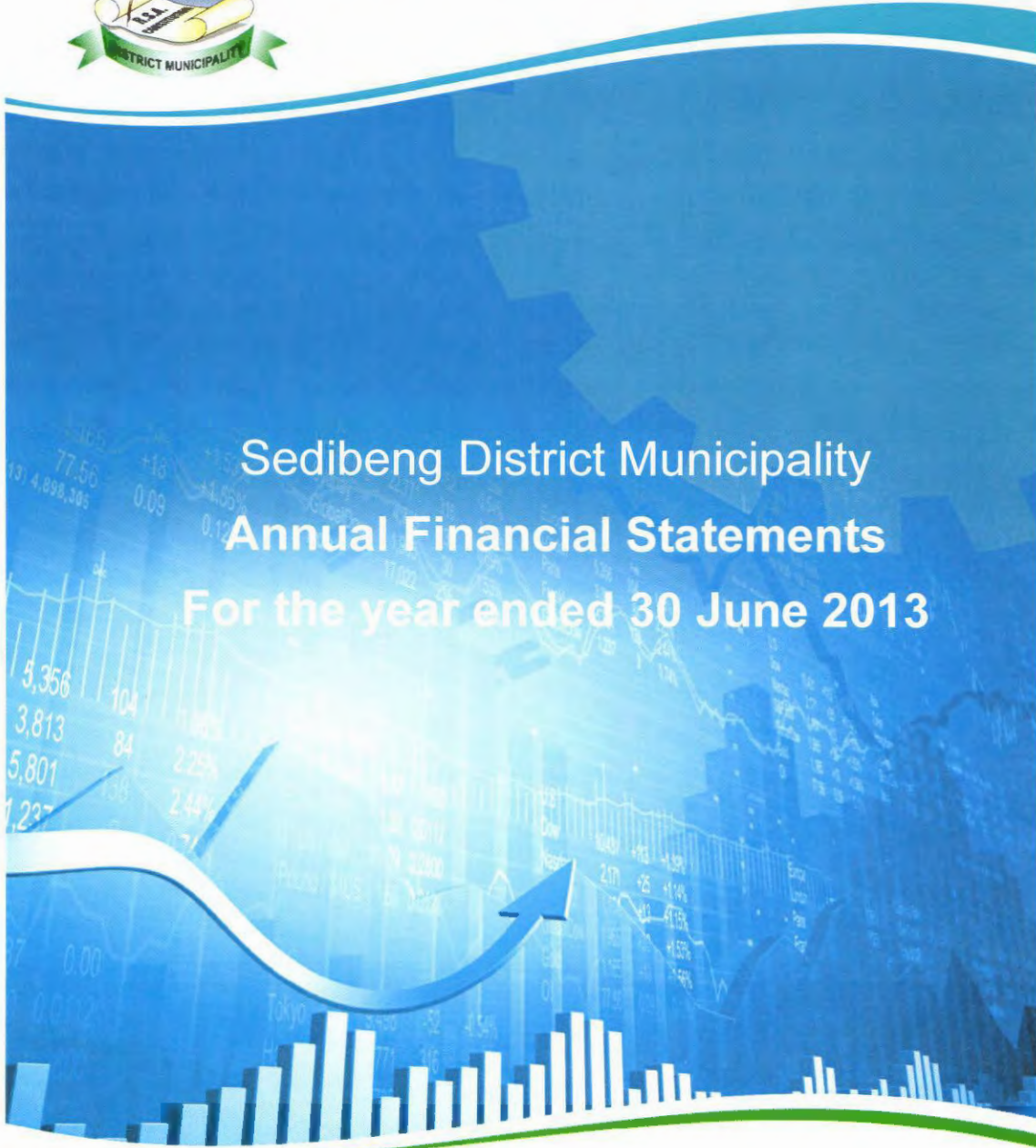




# SEDIBENG DISTRICT MUNICIPALITY

## Sedibeng District Municipality Annual Financial Statements For the year ended 30 June 2013



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

The following is included in the scope of operation

Grading of local authority

Municipal Manager

Chief Finance Officer (CFO)

Registered office

District Municipality

Grade 11 Local Authority

Yunus Chamda

Mr Brendon Scholtz

Municipal Offices

Civic Centre

Cnr. Beaconsfield & Leslie street

Vereeniging

1930

Business address

Municipal Offices

Civic Centre

Cnr. Beaconsfield & Leslie street

Vereeniging

1930

Postal address

PO Box 471

Vereeniging

1930

Bankers

ABSA Bank Limited

Auditors

Auditor General South Africa

Executive Mayor

Councilor MS Mofokeng

Speaker

Councilor BJ Modisakeng

Chief Whip

Councilor MC Sale

Members of Mayoral Committee

Councilor PB Tsotetsi

Councilor ME Tsokolibane

Councilor TS Maphalla

Councilor B Mncube

Councilor MM Gomba

Councilor MD Raikane

Councilor YJ Mahommed

Councilor SA Mshudulu

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MMC	Member of the Mayoral Committee
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment
SCM	Supply Chain Management
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice



## **Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

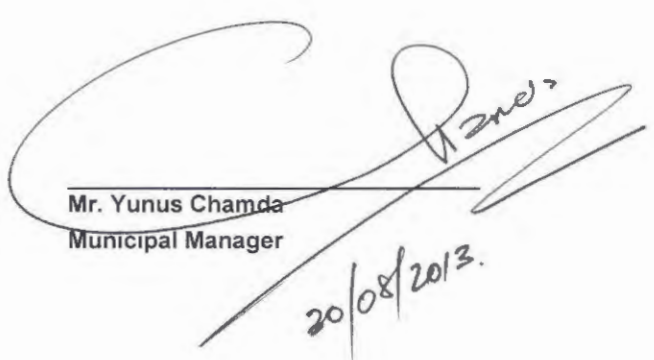
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 4 to 47, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August, 2013 and were signed on its behalf by:



Mr. Yunus Chamda  
Municipal Manager

20/08/2013.

## Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2013.

### 1. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

### 2. Going concern

We draw attention to the fact that at 30 June, 2013, the municipality had accumulated surplus of R 135,610,810 and that the municipality's total assets exceed its liabilities by R 135,610,810

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 4. Accounting Officer

Name	Nationality
Mr. Yunus Chamda	RSA

### 5. Bankers

The current bankers appointed by Council through a formal tender process are ABSA Bank Limited.

### 6. Auditors

The Auditor General will continue in office for the next financial period.

### 7. Cost cutting measures

Following the global economic crisis of 2009 and in line with MFMA Circular 48, the executive management of Sedibeng District Municipality had taken the decision to make conscientious efforts to increase revenue and decrease operating expenses by:

Increasing revenue through	Cost containment measures
<ul style="list-style-type: none"><li>• Optimizing all revenue streams;</li><li>• Reviewing billing processes;</li><li>• Rigorously applying credit control;</li><li>• Tightening internal control measures and SCM processes</li></ul>	<ul style="list-style-type: none"><li>• Educating staff to be more conscientious</li><li>• Better cash management</li><li>• Claiming discounts from creditors/ suppliers</li><li>• Institutionalising discussion on under-provision of equitable share</li><li>• Value-for-money spending and application of economies-of-scale procurement</li><li>• Closer monitoring of repairs &amp; maintenance will lead to reduction in productivity losses</li><li>• Reducing &amp; reviewing discretionary spending</li></ul>

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Statement of Financial Position as at 30 June, 2013

Figures in Rand	Note(s)	2013	2012 as restated
<b>Assets</b>			
Current Assets			
Inventories	5	220,090	307,522
Receivables from exchange transactions	6	9,760,774	6,143,935
VAT receivable	7	18,016	4,288,051
Construction of assets in progress	4	1,701,721	32,051,682
Cash and cash equivalents	8	6,904,717	12,491,996
		<b>18,605,318</b>	<b>55,283,186</b>
Non-Current Assets			
Property, plant and equipment	2	175,799,191	184,233,785
Intangible assets	3	987,106	1,923,053
		<b>176,786,297</b>	<b>186,156,838</b>
<b>Total Assets</b>		<b>195,391,615</b>	<b>241,440,024</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	11	47,084,033	81,144,764
Unspent conditional grants and receipts	9	9,824,678	12,793,066
Provisions	10	1,926,700	1,141,900
		<b>58,835,411</b>	<b>95,079,730</b>
Non-Current Liabilities			
Provisions	10	945,394	1,613,851
		<b>945,394</b>	<b>1,613,851</b>
<b>Total Liabilities</b>		<b>59,780,805</b>	<b>96,693,581</b>
<b>Net Assets</b>		<b>135,610,810</b>	<b>144,746,443</b>
<b>Net Assets</b>			
Accumulated surplus		135,610,810	144,746,443



## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Statement of Financial Performance

Figures in Rand

	Note(s)	2013	2012 as restated
<b>Revenue</b>			
Sale of goods		1,394,760	1,217,207
Rental of facilities and equipment		7,926,622	7,799,499
Income from agency services		7,246,453	6,963,365
Licenses and permits		62,151,875	59,605,708
Other income	15	887,712	1,735,342
Interest received - investment	20	2,115,595	2,221,854
Government grants & subsidies	14	259,626,688	292,212,987
<b>Total revenue</b>		<b>341,838,513</b>	<b>371,755,962</b>
<b>Expenditure</b>			
Employee related costs	17	(202,849,143)	(228,392,383)
Remuneration of councillors	18	(10,284,043)	(9,407,075)
Depreciation and amortisation	21	(26,516,627)	(23,602,041)
Debt impairment	19	(125,855)	(93,999)
Public participation		(123,529)	(8,724)
Repairs and maintenance		(4,813,629)	(6,077,486)
Contracted services	23	(41,315,422)	(42,719,111)
Grants and subsidies paid	24	(5,221,646)	(32,301,682)
General Expenses	16	(63,661,602)	(60,013,168)
<b>Total expenditure</b>		<b>(354,422,686)</b>	<b>(402,615,669)</b>
(Loss) gain on disposal of assets and liabilities		(163,960)	1,161,731
<b>Deficit for the year</b>		<b>(13,236,941)</b>	<b>(29,697,976)</b>

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Statement of Changes in Net Assets

Figures in Rand	Note(s)	Accumulated surplus	Total net assets
Opening balance as previously reported		171,542,689	171,542,689
Adjustments			
Correction of errors	28	3,517,331	3,517,331
<b>Balance at 1 July, 2011 as restated</b>		<b>175,060,020</b>	<b>175,060,020</b>
Changes in net assets			
Transfer from / ( to) reserves	34	(615,601)	(615,601)
Surplus (Deficit) for the year previously reported		4,425,113	4,425,113
Correction of errors	28	(34,123,089)	(34,123,089)
Surplus (Deficit) for the year as restated		(29,697,976)	(29,697,976)
Total recognised income and expenses for the year		(30,313,577)	(30,313,577)
<b>Balance at 1 July, 2012 as restated</b>		<b>144,746,444</b>	<b>144,746,444</b>
Changes in net assets			
Adjustment of asset life	28	4,699,729	4,699,729
Transfer from / ( to) reserves	34	(598,422)	(598,422)
Net income (losses) recognised directly in net assets		4,101,307	4,101,307
Surplus (Deficit) for the year		(13,236,941)	(13,236,941)
Total recognised income and expenses for the year		(9,135,634)	(9,135,634)
<b>Balance at 30 June, 2013</b>		<b>135,610,810</b>	<b>135,610,810</b>



## Cash Flow Statement

Figures in Rand

	Note(s)	2013	2012 as restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		256,658,300	271,266,000
Interest income		2,115,595	2,221,854
Other receipts		23,239,285	78,412,636
License Receipts		204,498,592	195,301,700
		486,511,772	547,202,190
<b>Payments</b>			
Employee costs		(204,133,186)	(237,799,458)
Suppliers		(132,358,749)	(186,379,599)
Licensing Authority		(142,413,835)	(138,529,619)
		(478,905,770)	(562,708,676)
<b>Net cash flows from operating activities</b>	25	<b>7,606,002</b>	<b>(15,506,486)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(12,822,760)	(15,135,073)
Proceeds from sale of property, plant and equipment	2	81,798	1,569,276
Purchase of other intangible assets	3	(452,319)	(864,426)
<b>Net cash flows from investing activities</b>		<b>(13,193,281)</b>	<b>(14,430,223)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(5,587,279)</b>	<b>(29,936,709)</b>
Cash and cash equivalents at the beginning of the year		12,491,996	42,428,705
<b>Cash and cash equivalents at the end of the year</b>	8	<b>6,904,717</b>	<b>12,491,996</b>

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Sale of goods	1,170,317	1,545,643	2,715,960	1,394,760	(1,321,200)
Rental of facilities and equipment	8,514,960	(1,019,791)	7,495,169	7,926,622	431,453
Income from agency services	7,460,289	(510,405)	6,949,884	7,246,453	296,569
Licenses and permits	61,902,213	280,017	62,182,230	62,151,875	(30,355)
Other income - (rollup)	1,831,084	(109,814)	1,721,270	887,712	(833,558)
Interest received - investment	3,034,920	(975,276)	2,059,644	2,115,595	55,951
<b>Total revenue from exchange transactions</b>	<b>83,913,783</b>	<b>(789,626)</b>	<b>83,124,157</b>	<b>81,723,017</b>	<b>(1,401,140)</b>
<b>Revenue from non-exchange transactions</b>					
Government grants & subsidies	295,356,783	(22,044,217)	273,312,566	259,626,688	(13,685,878)
<b>Total revenue</b>	<b>379,270,566</b>	<b>(22,833,843)</b>	<b>356,436,723</b>	<b>341,349,705</b>	<b>(15,087,018)</b>
<b>Expenditure</b>					
Employee related cost	(242,206,688)	39,356,793	(202,849,895)	(202,849,143)	752
Remuneration of councillors	(10,190,815)	(472,078)	(10,662,893)	(10,284,043)	378,850
Depreciation and amortisation	(15,953,232)	(10,568,809)	(26,522,041)	(26,516,627)	5,414
Debt impairment	-	(114,500)	(114,500)	(125,855)	(11,355)
Public Participation	(160,540)	24,702	(135,838)	(123,529)	12,309
Repairs and maintenance	(4,729,894)	(93,680)	(4,823,574)	(4,813,629)	9,945
Contracted Services	(35,267,320)	(6,167,494)	(41,434,814)	(41,315,422)	119,393
Grants and subsidies paid	(2,508,000)	(2,713,647)	(5,221,647)	(5,221,646)	1
General Expenses	(56,482,162)	(7,908,684)	(64,390,846)	(63,172,792)	1,218,054
<b>Total expenditure</b>	<b>(367,498,651)</b>	<b>11,342,603</b>	<b>(356,156,048)</b>	<b>(354,422,686)</b>	<b>1,733,362</b>
<b>Operating deficit</b>	<b>11,771,915</b>	<b>(11,491,240)</b>	<b>280,675</b>	<b>(13,061,474)</b>	<b>(13,342,149)</b>
Loss on disposal of assets and liabilities	5,000	(136,503)	(131,503)	(163,960)	(32,457)
<b>Deficit before taxation</b>	<b>11,776,915</b>	<b>(11,627,743)</b>	<b>149,172</b>	<b>(13,236,941)</b>	<b>(13,386,113)</b>

# **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

### **1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**

#### **1.1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Municipal Accounting Practices (SA GAMAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

#### **Offsets**

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

#### **1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

#### **1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 2 & 3: PPE and Intangible assets useful lives estimates

Note 10: Provisions

Note 27: Contingencies

Note 26: Lease classification

Note 19: Debt Impairment

### 1.4 GOVERNMENT GRANT

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.5 PROPERTY, PLANT & EQUIPMENT

#### 1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially be measured at cost except where land and buildings have been revalued at fair value at date of the revaluation less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is ready to be used.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy, refer to note 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

### 1.5.2 De-recognition, Sale & Disposal

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

### 1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

Infrastructure Assets	Years
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 – 20

Community Assets	Years
Parks and gardens	10 -30
Sport fields	20 – 30
Community halls	30
Recreation facilities	20 – 30

Other Assets	Years
Motor vehicles	5
Plant and equipment	2 – 15
Security measures	3 – 10
Buildings	30
IT equipment	3 – 5
Office equipment	3 - 7
Specialised vehicles	10

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

The municipality has complied with Directive 4 of February 2008 and applied the requirements of the standard of GRAP 3, Accounting policies, Changes in accounting estimates and errors on the standard on Property, Plant and Equipment, GRAP 17, on initial adoption of the standard.

### 1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

### 1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

### 1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

## 1.7 IMPAIRMENT OF FINANCIAL ASSETS

### Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

### Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

### 1.8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or disposal groups are classified as non-current assets held for sale when the carrying amount of the asset or disposal group is to be recovered principally through a sale transaction rather than through continuing use.

Immediately before the classification of the asset or disposal group as held for sale, the carrying amount of the assets, or the assets and liabilities in the disposal group, are measured in accordance with applicable Standards of GRAP. Subsequently the asset or disposal group is measured at the lower of its carrying amount and fair value less cost to sell, with any adjustment recorded in the statement of financial performance.

The municipality complied with Directive 4 of February 2008, on initial adoption of the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations, GRAP 100, and has done so prospectively, for all non-current assets (or disposal groups), that meet the criteria to be classified as held for sale.

### 1.9 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

### The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

### 1.10 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

### 1.10.1 FINANCIAL ASSETS

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

### 1.10.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance. The net gain or loss recognised in the Statement of Financial Performance incorporates any dividend or interest earned on the financial asset.

### 1.10.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the Statement of Financial Performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets policy as well as gains or losses on de-recognition. These net gains and losses are included in the Statement of Financial Performance.

### 1.10.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

### 1.10.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to assets management policy, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

## 1.10.2 FINANCIAL LIABILITIES

Financial liabilities are recognised in the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.



# **Sedibeng District Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

### **1.10.2.1 Financial liabilities at fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the Statement of Financial Performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

### **1.10.3 Other financial liabilities**

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

## **1.11 INVENTORIES**

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

The municipality complied with Directive 4 of February 2008, on initial adoption of the standard of on Inventories, GRAP 12, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-measurement of inventories in accordance with GRAP 12.

## **1.12 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## **1.13 PROVISIONS AND CONTINGENCIES**

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment. Due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration of the Property, Plant and Equipment transitional provisions. All necessary disclosure for those assets not recognised as Property, Plant and Equipment have been made.

The municipality complied with Directive 4 of February 2008, on initial adoption of the Standard of on Provisions, Contingent Liabilities and Contingent Assets, GRAP 19, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Where items have not been recognised in accordance with GRAP 17, Property, Plant and Equipment as a result of transitional provisions, which take precedence over the requirements of GRAP 19. GRAP 17 will have to be complied with first, or transitional provisions of this standard are to expire prior to application of GRAP 19.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

### 1.14 EMPLOYEE BENEFITS

#### 1.14.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

#### 1.14.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

#### 1.14.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

#### 1.14.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

### 1.14.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

### 1.15 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

#### 1.15.1 Revenue from exchange transactions

##### Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

##### Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

##### Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

The municipality complied with Directive 4 of February 2008, on initial adoption of the Standard of on Revenue from Exchange Transaction, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

##### Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliable.



# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

### 1.15.2 Revenue from non-exchange transactions

#### Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

### 1.15.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

### 1.15.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

## 1.16 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

## 1.17 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 1.18 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Sedibeng District Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

### 1.19 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

### 1.21 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

### 1.22 RELATED PARTIES

Emfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls." Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

Sedibeng District Municipality performs an agency function on behalf of the Department of Health related to Ambulance services as well as an agency service with the Department of Transport, Roads and Works related to motor vehicle license renewal fees.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.

### 1.23 HERITAGE ASSETS

The Municipality has opted to phase in Heritage Assets over the extension period allowed based on the transitional provision for GRAP 103. The Municipality will adjust the Heritage asset figures retrospectively with full implementation at 30 June 2015.



# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Notes to the Financial Statements

Figures in Rand

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### 2. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	41,907,735	(608,655)	41,299,080	41,907,735	(608,655)	41,299,080
Buildings	72,866,653	(10,614,868)	62,251,785	72,866,451	(8,176,676)	64,689,775
Furniture and fixtures	17,592,828	(12,715,701)	4,877,127	15,572,819	(11,675,252)	3,897,567
Motor vehicles	9,347,650	(6,560,154)	2,787,496	10,134,059	(5,753,465)	4,380,594
Electronic equipment	44,498,419	(18,751,901)	25,746,518	32,372,675	(11,962,447)	20,410,228
Infrastructure	74,263,341	(37,581,858)	36,681,483	71,796,612	(25,868,354)	45,928,258
Other property, plant and equipment	8,661,136	(7,023,131)	1,638,005	8,610,440	(5,530,133)	3,080,307
Specialised vehicles	699,972	(182,275)	517,697	699,972	(151,996)	547,976
<b>Total</b>	<b>269,837,734</b>	<b>(94,038,543)</b>	<b>175,799,191</b>	<b>253,960,763</b>	<b>(69,726,978)</b>	<b>184,233,785</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Change in useful live	Depreciation	Total
Land	41,299,080	-	-	-	-	41,299,080
Buildings	64,689,775	-	-	202	(2,438,192)	62,251,785
Furniture and fixtures	3,897,567	566,299	(41,103)	1,801,652	(1,347,288)	4,877,127
Motor vehicles	4,380,594	-	(85,893)	-	(1,507,205)	2,746,518
Electronic equipment	20,410,228	12,193,860	(117,362)	396,792	(7,137,000)	25,375,623
Infrastructure	45,928,258	17,820	-	2,448,909	(11,713,504)	36,681,483
Other property, plant and equipment	3,080,307	44,781	(1,400)	26,277	(1,511,960)	1,638,005
Specialised vehicles	547,976	-	-	-	(30,279)	517,697
	<b>184,233,785</b>	<b>12,822,760</b>	<b>(245,758)</b>	<b>4,673,832</b>	<b>(25,685,428)</b>	<b>175,799,191</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land	41,299,080	-	-	-	41,299,080
Buildings	66,914,423	213,200	-	(2,437,848)	64,689,775
Furniture and fixtures	4,508,748	699,135	(14,270)	(1,296,046)	3,897,567
Motor vehicles	6,127,237	-	(149,964)	(1,596,679)	4,380,594
Electronic equipment	14,181,621	11,191,319	(53,505)	(4,909,207)	20,410,228
Infrastructure	54,033,310	2,999,999	-	(11,105,051)	45,928,258
Other property, plant and equipment	4,939,789	31,420	(180,630)	(1,710,272)	3,080,307
Specialised vehicles	587,517	-	(9,176)	(30,365)	547,976
	<b>192,591,725</b>	<b>15,135,073</b>	<b>(407,545)</b>	<b>(23,085,468)</b>	<b>184,233,785</b>

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Notes to the Financial Statements

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### 3. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,866,787	(3,879,681)	987,106	4,388,571	(2,465,518)	1,923,053

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Change in useful live	Amortisation	Total
Computer software, other	1,923,053	452,319	25,897	(1,414,163)	987,106

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	2,319,690	864,426	(1,261,063)	1,923,053

### 4. Construction of asset in progress

Evaton pedestrian side walks	-	3,109,699
Road Signage	-	3,168,164
Sharpeville community hall	-	4,727,917
Sharpeville police station	457,226	311,828
Sports field Lesedi	609,772	392,635
Sharpeville Exhibition Centre	-	2,020,057
Sharpeville constitutional walk	-	18,321,382
Sebokeng cultural precinct	634,723	-
	<b>1,701,721</b>	<b>32,051,682</b>

### 5. Inventories

Fuel - Airport	231,599	307,522
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### 6. Receivables from exchange transactions

Trade debtors	1,110,139	1,000,830
Employee costs in advance	123,734	-
Prepayments	-	104,550
VAT on Accruals	1,311,101	150,162
SETA Refunds	1,054,089	709,442
Recoverable fruitless and wasteful expenditure	57,750	-
Local Municipalities - Agency services	5,701,707	2,921,678
FMG Bridging Finance	-	66,391
Insurance Claim	383,482	768,465
MSIG Bridging Finance	18,772	422,417
	<b>9,760,774</b>	<b>6,143,935</b>

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Notes to the Financial Statements

Figures in Rand

	2013	2012 as restated
<b>Trade debtors</b>		
Current (0 – 30 days)	1,102,234	950,754
31 – 60 days	-	27,154
61 – 90 days	-	20,302
>91	7,905	672,999
Less: Provision for Debt Impairment	-	(670,379)
<b>Total Trade Debtors</b>	<b>1,110,139</b>	<b>1,000,830</b>
<b>Employee Cost in Advance</b>		
Current (0 – 30 days)	123,734	
<b>Pre-payments</b>		
Current (0 – 30 days)	-	104,550
<b>VAT on Accruals</b>		
Current (0 – 30 days)	1,311,101	150,162
<b>SETA Refunds</b>		
Current(0-30 days)	344,647	
>120 days	709,442	709,442
<b>Total SETA Refunds</b>	<b>1,054,089</b>	<b>709,442</b>
<b>Recoverable fruitless and wasteful expenditure</b>		
Current (0 – 30 days)	57,750	-
<b>Local Municipalities Agency services</b>		
Current (0 – 30 days)	791,450	1,195,675
31 – 60 days	560,900	504,543
61 – 90 days	474,168	542,680
91 – 120 days	431,966	678,780
>120 days	3,443,223	-
<b>Total Local Municipalities Agency services</b>	<b>5,701,707</b>	<b>2,921,678</b>
<b>Paving Sidewalk (SANRAL)</b>		
>365 days	1,007,843	1,007,843
Less: Provision for Debt Impairment	-1,007,843	-1,007,843
<b>Total-Paving Sidewalk (SANRAL)</b>	<b>-</b>	<b>-</b>
<b>Lotto Greening Project</b>		
>365 days	1,004,283	1,004,283
Less: Provision for Debt Impairment	-1,004,283	-1,004,283
<b>Total Lotto Greening Project</b>	<b>-</b>	<b>-</b>
<b>FMG Bridging Finance</b>		
Current (0 – 30 days)	-	66,391
<b>Insurance Claim</b>		
Current (0 – 30 days)	383,482	768,465
<b>MSIG Bridging Finance</b>		
Current (0 – 30 days)	18,772	422,417

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Notes to the Financial Statements

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### 7. VAT receivable

VAT	18,016	4,288,051
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### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	40,325	40,125
Cash book balances	5,956,852	12,418,653
Investment deposits	907,540	33,218
	<b>6,904,717</b>	<b>12,491,996</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2013	30 June, 2012	30 June, 2011	30 June, 2013	30 June, 2012	30 June, 2011
ABSA BANK Account Type Primary Bank Account	1,981,957	3,007,702	3,583,679	1,941,749	2,707,511	3,503,814
ABSA BANK Account Type License function Bank Account	3,425,210	9,184,364	16,563,063	4,015,103	9,711,142	18,520,447
<b>Total</b>	<b>5,407,167</b>	<b>12,192,066</b>	<b>20,146,742</b>	<b>5,956,852</b>	<b>12,418,653</b>	<b>22,024,261</b>

The Municipality had the following short term investment deposits at year end

ABSA Call Account - 9085796427	907,540	33,218
	<b>907,540</b>	<b>33,218</b>

### 9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Provincial Grants	7,416,439	9,723,103
National Grants	991,449	1,362,476
DPLG Grants	1,416,790	1,707,487
	<b>9,824,678</b>	<b>12,793,066</b>

### Movement during the year

Balance at the beginning of the year	12,793,066	33,740,053
Additions during the year	12,434,800	16,133,000
Income recognition during the year	(15,403,188)	(37,079,987)
	<b>9,824,678</b>	<b>12,793,066</b>

The above indicate the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Also refer to note 14 for a reconciliation of grants received from National/Provincial Government.



# Sedibeng District Municipality

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### 10. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Performance Bonus	1,926,700	-	1,926,700
Retirement Bonus	829,051	116,343	945,394
	<b>2,755,751</b>	<b>116,343</b>	<b>2,872,094</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Performance Bonus	1,141,900	784,800	1,926,700
Retirement Bonus	829,051	-	829,051
	<b>1,970,951</b>	<b>784,800</b>	<b>2,755,751</b>

Non-current liabilities	945,394	1,613,851
Current liabilities	1,926,700	1,141,900
	<b>2,872,094</b>	<b>2,755,751</b>

Performance Bonus payable relates to section 57 employees who have not receive performance bonuses for a period of 4 years. The amounts payable need to be recommended by the remuneration committee before approval by Council. The amount has however be limited to the provision currently in place.

Retirement Bonus provision is provided for employees with an age greater than 50 years. The decision is based on the current uncertainty of possible changes within the pension fund rules as well as a possibility of the District and Local Municipalities being converted to a Metropolitan Council.

### 11. Payables from exchange transactions

Trade payables	4,236,565	4,702,272
Accrued leave pay	15,959,613	17,793,201
Operating lease liabilities	-	24,670
Department of Transport (License fees)	15,771,644	15,204,748
Local Municipalities Accounts	7,961,776	6,471,396
Retention on Capital Projects	281,314	1,038,219
Mayoral Event	104,300	98,800
Ambulance fees in advance	85,187	87,262
Refundable town hall rental deposits	112,984	107,844
Unclaimed Salaries	25,199	25,199
Salaries in arrears	10,687	2,997,268
Unknown deposits	228,421	137,045
Deferred Asset Transfer to Locals	1,701,721	32,051,682
VAT on Debtors	604,622	405,158
	<b>47,084,033</b>	<b>81,144,764</b>

### 12. Revenue

Sale of goods	1,394,760	1,217,207
Rental of facilities and equipment	7,926,622	7,799,499
Income from agency services	7,246,453	6,963,365

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	2013	2012 as restated
Licenses and permits	62,151,875	59,605,708
Other income	887,712	1,735,342
Interest received - investment	2,115,595	2,221,854
Government grants & subsidies	259,626,688	292,212,987
	<b>341,349,705</b>	<b>371,755,962</b>

Sale of goods - The municipality is selling AVGAS and JET A1 fuel at the Vereeniging Airport

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	1,394,760	1,217,207
Rental of facilities and equipment	7,926,622	7,799,499
Income from agency services	7,246,453	6,963,365
Licenses and permits	62,151,875	59,605,708
Other income	887,712	1,735,342
Interest received - investment	2,115,595	2,221,854
	<b>81,723,017</b>	<b>79,542,975</b>

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	259,626,688	292,212,987

### 13. Cost of sales

Sale of goods		
Cost of goods sold	1,403,544	1,349,956

### 14. Government grants and subsidies

The following are disclosures in terms of section 123(1) of the MFMA

Equitable share	226,009,000	220,439,000
Ambulance subsidy	18,214,500	34,694,000
Support Grants	15,403,188	37,079,987
	<b>259,626,688</b>	<b>292,212,987</b>

### Equitable Share

Current-year receipts	(226,009,000)	(220,439,000)
Conditions met - transferred to revenue	226,009,000	220,439,000
	-	-

Conditions still to be met - remain liabilities (see note 9).

### Emergency Medical Services

Current-year receipts	(18,214,500)	(34,694,000)
Conditions met - transferred to revenue	18,214,500	34,694,000
	-	-

Conditions still to be met - remain liabilities (see note 9).

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### Provincial Grants

Balance unspent at beginning of year	9,723,103	10,322,119
Additions during the year	7,108,000	8,083,000
Conditions met - transferred to revenue	(9,414,664)	(8,682,016)
	<b>7,416,439</b>	<b>9,723,103</b>

### Reconciliation of Unspent Conditional Grants

	Opening Balance July 2012	Grants Received 2012/13	Grants Spent 2012/13	Unspent Grants June 2013
LED Project	1,700,000			1,700,000
HIV/AIDS	3,254,376	6,069,000	(7,691,537)	1,631,839
Impl Tourism Inst Framework	300,000		0	300,000
Dept Agriculture & Rural Dev	550,000		(550,000)	-
Sharpeville Community Hall	646,195		(646,195)	-
LOTTO - Sport	2,607,365		(217,137)	2,390,228
EPWP Grant	-	1,039,000	(33,760)	1,005,240
Craft Hub Establishment	495,802		(145,398)	350,404
Tourism Birding Route	169,364		(130,636)	38,728
	<b>9,723,103</b>	<b>7,108,000</b>	<b>(9,414,663)</b>	<b>7,416,438</b>

### National Grants

Balance unspent at beginning of year	1,362,476	21,575,28
Additions during the year	5,258,000	8,050,00
Conditions met - transferred to revenue	(5,629,027)	(28,262,80)
	<b>991,449</b>	<b>1,362,47</b>

Conditions still to be met - remain liabilities (see note 9).

### Reconciliation of Unspent Conditional Grants

	Opening Balance July 2012	Grants Received 2012/13	Grants Spent 2012/13	Unspent Grants June 2013
Urban Environmental Management Program (DANIDA)	10,615		-	10,615
Municipal Improvement Systems Grant	0	1,500,000	(1,500,000)	0
Municipal Finance Management Grant	0	1,250,000	(1,249,096)	904
NDPG Project	1,351,861	2,508,000	(2,879,931)	979,930
	<b>1,362,476</b>	<b>5,258,000</b>	<b>(5,629,027)</b>	<b>991,449</b>

### DLG Grants

Balance unspent at beginning of year	1,707,487	1,842,654
Additions during the year	68,800	-
Conditions met - transferred to revenue	(359,497)	(135,167)
	<b>1,416,790</b>	<b>1,707,487</b>



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Conditions still to be met - remain liabilities (see note 9).  
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2012	Grants Received 2012/13	Grants Spent 2012/13	Unspent Grants June 2013
Sharpeville Public Library	598,617		-	598,617
MSP	359,497		(359,497)	-
Environmental	121,474		-	121,474
Construction Of Tea-Tea Road	627,899		-	627,899
Tourism Awards		68,800	-	68,800
	<b>1,707,487</b>	<b>68,800</b>	<b>(359,497)</b>	<b>1,416,790</b>

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 15. Other income

Ad-hoc Income	71,635	488,230
Skills Levy Income	344,647	354,549
Ambulance fees	48,961	443,661
Tender Income	117,440	52,561
Admin charges on salary deductions	165,994	188,428
Telephone Cost recovered	139,035	207,913
	<b>887,712</b>	<b>1,735,342</b>

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#### 16. General expenses

Advertising	765,933	973,041
Assessment rates & municipal charges	6,589,891	7,085,215
Auditors remuneration	2,050,167	2,925,529
Bank charges	750,810	792,977
Computer expenses	1,255,425	1,796,359
Consulting and professional fees	2,598,399	3,214,671
Consumables	875,689	878,650
Entertainment	397,901	760,183
Insurance	1,263,061	2,818,721
Lease rentals on operating lease	6,133,800	5,894,286
Magazines, books and periodicals	195,441	233,288
Fuel and oil	1,324,335	1,150,853
Postage and courier	15,593	10,368
Printing and stationery	2,271,171	2,654,849
Promotions	1,142,607	2,074,482
Protective clothing	322,764	193,789
Royalties and license fees	3,796,827	3,621,015
Staff welfare	257,496	176,050
Subscriptions and membership fees	1,601,248	1,693,086
Telephone and fax	3,523,528	3,729,482
Training	983,949	746,842
Subsistence & Travel	2,195,506	1,860,191
Office refreshments	321,052	382,808
Workshops	9,747,340	7,114,980
Congresses & Meetings	357,214	422,945
Expenses from Grants	9,074,502	3,676,015
External Bursaries	468,756	413,308
Donations & Grants	309,569	472,112
Catering Expenses	1,179,274	897,117
Sale of goods - Aircraft fuel	1,403,544	1,349,956
	<b>63,172,792</b>	<b>60,013,168</b>

# Sedibeng District Municipality

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### 17. Employee related costs

Employee related cost exclusive of Section 57 employees	123,735,027	141,468,141
Medical aid - company contributions	10,656,043	12,566,370
UIF	1,025,528	1,157,801
WCA	1,144,257	1,803,450
SDL	1,723,235	1,772,745
Other payroll levies	2,233,037	2,698,069
Leave pay provision charge	3,842,059	2,565,817
Post-employment benefits - Pension - Defined contribution plan	24,546,175	28,691,427
Overtime payments	3,625,731	5,078,430
Bonus	12,327,407	11,735,255
Car allowance	8,844,498	9,174,893
Housing benefits and allowances	995,969	1,270,591
Telephone Allowances	503	500
Standby Allowance	715,667	1,820,817
	<b>195,415,136</b>	<b>221,804,306</b>

### Remuneration of municipal manager

Annual Remuneration	1,056,774	978,092
Car Allowance	119,784	119,784
Contributions to UIF, Medical and Pension Funds	96,010	88,675
	<b>1,272,568</b>	<b>1,186,551</b>

### Remuneration of chief finance officer

Annual Remuneration	674,324	593,410
Car Allowance	144,000	122,000
Contributions to UIF, Medical and Pension Funds	184,512	167,500
Other	4,800	4,800
	<b>1,007,636</b>	<b>887,710</b>

### Remuneration of executive directors

Annual Remuneration	3,241,673	2,849,073
Car Allowance	474,000	372,348
Contributions to UIF, Medical and Pension Funds	314,870	303,377
	<b>4,030,543</b>	<b>3,524,798</b>

### Remuneration of Chief Operations Officer

Annual Remuneration	1,071,006	943,005
Contributions to UIF, Medical and Pension Funds	52,254	46,013
	<b>1,123,260</b>	<b>989,018</b>
<b>Total Employee related Cost</b>	<b>202,849,143</b>	<b>282,392,383</b>



# Sedibeng District Municipality

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### 18. Remuneration of councillors

Executive Major	738,739	694,124
Mayoral Committee Members	4,663,979	4,454,813
Speaker	608,942	574,916
Councillors	3,263,909	2,866,775
Councillors pension contribution	891,932	816,447
Telephone Allowance	116,542	-
	<b>10,284,043</b>	<b>9,407,075</b>

### In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards

### 19. Debt impairment

Debt impairment	125,855	93,999
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### 20. Investment revenue

Interest revenue		
Bank	2,115,595	2,221,854

### 21. Depreciation and amortisation

Property, plant and equipment	25,102,464	22,340,978
Intangible assets	1,414,163	1,261,063
	<b>26,516,627</b>	<b>23,602,041</b>

### 22. Auditors' remuneration

Fees	2,050,167	2,925,529
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### 23. Contracted services

Specialist Services	13,908,492	15,682,690
Other Contractors	27,406,930	27,036,421
	<b>41,315,422</b>	<b>42,719,111</b>

### 24. Grants and subsidies paid

#### Other subsidies

Grants paid to Local Municipalities	5,221,646	32,301,682
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### 25. Cash generated from (used in) operations

Deficit	(13,236,941)	(29,697,976)
<b>Adjustments for:</b>		
Depreciation	26,516,627	23,602,041
Loss / (Gain) on sale of assets and liabilities	163,960	(1,161,731)
Debt impairment	125,855	93,999
Movements in provisions	116,343	784,801
Government grant reserve movement	(15,457)	128,889
<b>Changes in working capital:</b>		
Inventories	87,432	62,491
Receivables from exchange transactions	(3,616,839)	17,100,515
Consumer debtors	(125,855)	(93,999)
Construction of assets in progress	30,349,961	(32,051,682)
Payables from exchange transactions	(34,060,731)	23,207,966
VAT	4,270,035	3,465,187
Unspent conditional grants and receipts	(2,968,388)	(20,946,987)
	<b>7,606,002</b>	<b>(15,506,486)</b>

### 26. Commitments

#### Authorized capital and operating expenditure

#### Unspent conditional grants and receipts

Provincial Grants	7,416,439	9,723,103
National Grants	991,449	1,362,476
DLG Grants	1,416,790	1,707,487
	<b>9,824,678</b>	<b>12,793,066</b>

The current unspent conditional grants are all committed funds which still need to be utilized in order to meet the conditions as stipulated in the various government gazettes.

# Sedibeng District Municipality

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### Operating leases - as lessee (expense)

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

- within one year	5,465,248	7,171,424
- later than five years	-	59,547
	<b>5,465,248</b>	<b>7,230,971</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

## 27. Contingencies

### Contingent Liability

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet being issued against those claims.

There is currently a dispute between Sedibeng District Municipality and the Gauteng Department of Transport relating to the treatment of VAT on agency services. Council may be liable for an amount of R 42,352,828.

### Contingent assets

Emergency Medical Services has been transferred to the Department of Health whereby unfunded expenditure related to the previous year's might be recoverable which amounts to R 38,5Million.

A change in legislation regarding the treatment of UIF payments relating to Councilors resulted in a possible refund to Council which amounts to R 83,823 for the period.

## 28. Prior period errors

Property, Plant and Equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered and therefore the useful lives were adjusted in the current year accordingly which amounts to R4,699,729. See note 2 and 3 for detail per asset classification.

The correction of the error(s) results in adjustments are as follow:

The municipality has done a vat review exercise and revenue relating to prior period was discovered. Corrections in this regard were made which effect the prior periods

### Statement of changes in net assets

Opening Balance 1 July 2011	171,542,689
SETA Debtor not provided	354,894



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VAT recovery Prior periods	3,162,437
<b>Restated Closing balance 1 July 2011</b>	<b>175,060,020</b>
<b>Surplus (Deficit) for the year 2012</b>	<b>4,425,113</b>
Grants allocated to Local Municipality	-32,051,682
Creditors under provided	-2,626,899
Creditor over provided	200,943
SETA Debtor not provided	354,549
<b>Restated Surplus (deficit) for the year 2012</b>	<b>-29,697,976</b>

### 29. Risk management

#### Financial risk management

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### Interest rate risk

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate

### 30. Going concern

We draw attention to the fact that at 30 June, 2013, the municipality had accumulated surplus of R 135,610,810 and that the municipality's total assets exceed its liabilities by R 135,610,810.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

In addition SDM has over the last three and a half years implemented a cost containment strategy which purported to place austerity measures within the municipality to save costs.

### 31. Events after the reporting date

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties need to be transferred to their rightful owner, Emfuleni Local Municipality.

# Sedibeng District Municipality

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### 32. Unauthorised expenditure

None incurred in reporting period

### 33. Additional disclosure in terms of Municipal Finance Management Act

#### 33.1 PAYE and UIF & Skills levy

Current year subscription / fee	31,911,256	32,104,375
Amount paid - current year	(31,911,256)	(32,104,375)
	-	-

#### 33.2 Pension and Medical Aid Deductions

Current year subscription / fee	53,298,963	61,957,138
Amount paid - current year	(53,298,963)	(61,957,138)
	-	-

#### 33.3 VAT

VAT receivable	18,016	4,288,051
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All VAT returns have been submitted by the due date throughout the year.

#### 33.4. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed in the appendix "A" have been condoned.

##### 33.4.1 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed in the appendix "A" have been condoned.

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### 33.4.2 Declaration of business conducted to close family members of persons in the service of the state

The below table list the awards to close family members of persons in the service of the state and awards to persons in the service of the state.

#### 1. Awards to close family members of persons in the service of the state

Company Name	Initials	Surname	Designation and Employee NO.	Relationship with the company	Amount Paid
Panorama Bloemiste CC	CS	Heunes	Senior Accountant Expenditure 17530	Spouse to the Director/Shareholder	R 16 400,00
Servigyn 13 CC	N	Monga	Senior Technician: IT	Son to the Director/Shareholder	R 50 062,97

#### 2. Awards to persons in the service of the state

Company Name	ID NO.	Initials & Surname	Current Employer	Amount Paid 2012/13
Vaal Community Radio NPC	7304290329084	I Honoko	Sedibeng District Municipality	R 9 332,40
	5601017441080	MI Kolokoto	Sedibeng District Municipality	
MahlakeKabamba Construction and Projects CC	7204015500086	GM Mtembu	Free State Department of Education	R 39, 394.65
	6806255379087	MV Mofokeng	Transnet	
Tiisetso and Reuben Trading Enterprise CC	6501095399086	MR Mokele	Free State Department of Education	R 48 570,00

### 33.5. Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	34	34 sets were used for the full year;
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
<b>TOTAL</b>	<b>34</b>	

### 33.6. Related party transactions

The Council is rendering information technology services to both Emfuleni and Midvaal local municipalities. Claims towards actual salary expenses have been lodged on a monthly basis whereby the cost incurred for the year was as follow:

Emfuleni Local Municipality	R 5,778,736
Midvaal Local Municipality	R 1,467,717



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### 34. Accumulated surplus

#### Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Government grant reserve	Total
Opening balance	2,691,831	2,691,831
Offsetting of depreciation	(547,134)	(547,134)
Capital grants used to purchase property, plant and equipment	-	-
Asset Disposal/Transfer	(15,457)	(15,457)
	<b>2,129,241</b>	<b>2,129,241</b>

#### Ring-fenced internal funds and reserves within accumulated surplus - 2012

	Government grant reserve	Total
Opening balance	3,307,432	3,307,432
Offsetting of depreciation	(744,491)	(744,491)
Capital grants used to purchase property, plant and equipment	356,086	356,086
Asset Disposal	(227,196)	(227,196)
	<b>2,691,831</b>	<b>2,691,831</b>

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### 35. Statement of comparative and actual information

#### FINANCIAL PERIOD 2013

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Financial Performance</b>								
Investment revenue	3,034,920	(975,276)	2,059,644	2,115,595		55,951	103%	70%
Other own revenue	80,883,863	180,650	81,064,513	79,607,422		(1,457,091)	98%	98%
Government Grants & Subsidies	295,356,783	(22,044,217)	273,312,566	259,626,688		(13,685,878)	95%	88%
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>379,275,566</b>	<b>(21,863,567)</b>	<b>356,436,723</b>	<b>341,349,705</b>		<b>(15,087,018)</b>	<b>96%</b>	<b>90%</b>
Employee costs	(242,206,688)	39,356,793	(202,849,895)	(202,849,143)	-	752	100%	84%
Remuneration of councillors	(10,190,815)	(472,078)	(10,662,893)	(10,284,043)	-	378,850	96%	101%
Debt impairment	-	(114,500)	(114,500)	(125,855)	-	(11,355)	110%	-
Depreciation and asset impairment	(15,953,232)	(10,568,809)	(26,522,041)	(26,516,627)	-	5,414	100%	166%
Transfers and grants	(2,508,000)	(3,819,647)	(6,327,647)	(5,221,646)	-	1,106,001	83%	208%
Other expenditure	(96,639,916)	(13,170,659)	(109,810,575)	(110,078,142)	-	(267,567)	100%	114%
<b>Total expenditure</b>	<b>(367,498,651)</b>	<b>11,211,100</b>	<b>(356,287,551)</b>	<b>(354,586,646)</b>	<b>-</b>	<b>1,700,905</b>	<b>100%</b>	<b>96%</b>
<b>Surplus/(Deficit) for the year</b>	<b>11,776,915</b>	<b>(11,627,743)</b>	<b>149,172</b>	<b>(13,236,941)</b>		<b>(13,388,113)</b>	<b>(8,874)%</b>	<b>(112)%</b>

## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Notes to the Financial Statements

Figures in Rand

#### 35. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure</b>							
Total capital expenditure	11,670,000	2,421,996	14,091,996	13,275,079	(816,917)	94%	114%
<b>Cash flows</b>							
Net cash from (used) operating	18,725,147	12,008,479	30,733,626	7,606,002	(23,127,624)	25%	41%
Net cash from (used) investing	(15,458,068)	(16,609,408)	(32,067,476)	(13,193,281)	18,874,195	41%	85%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,267,079</b>	<b>4,600,929</b>	<b>(1,333,850)</b>	<b>(5,587,279)</b>	<b>(4,253,429)</b>	<b>419%</b>	<b>(171)%</b>
Cash and cash equivalents at the beginning of the year	12,491,996	-	12,491,996	12,491,996	-	100%	100%
<b>Cash and cash equivalents at year end</b>	<b>15,759,075</b>	<b>(4,600,929)</b>	<b>11,158,146</b>	<b>6,904,717</b>	<b>4,253,429</b>	<b>62%</b>	<b>44%</b>



## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Deviations Approved for the 2012-2013 financial year

"ANNEXURE A"

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reasons for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
<b>DEVIATIONS APPROVED FOR THE MONTH OF JULY 2012</b>							
Any exceptional cases where it is impractical or impossible to follow the official procurement processes	Dicksy Maintenance and Projects	18-Jul-12	Repairs on the water pipe that had burst at Vereeniging Taxi Rank.	Municipal Manager	Corporate Services	R 48,643.80	Single Sourcing
	<b>DEVIATIONS APPROVED FOR THE MONTH OF AUGUST 2012</b>						
	Shadewind Star Nissan	6-Aug-12	The vehicle had breakdown, the end-user department called Nissan to tow and diagnose the problem. It was impractical to get three quotes from three different dealers/panel beaters as the end-user department did not know the problem.	Municipal Manager	Corporate Services	R 34,738.51	Single Sourcing
	Tsheport Business Enterprise CC	7-Aug-12	There was a power failure at Vereeniging Fresh Produce Market. The End-user department sourced one quote from a supplier listed of SDM's Supplier Database.	Municipal Manager	Corporate Services	R 15,985.57	In order to avoid future deviations for maintenance, panels of service providers will be created.

## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Deviations Approved for the 2012-2013 financial year

"ANNEXURE A"

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reasons for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
	Shadewind Star Nissan	12-Aug-12	Replacement of brakes caliper kit on Nissan Murano with registration BC 39 TW GP	Municipal Manager	Corporate Services	R 7,289.00	Single Sourcing
	Batsumi Corporate CC	31-Aug-12	Replacement of main-holes covers at Sebokeng, Vereening and Sharpville Taxi Ranks	Municipal Manager	Corporate Services	R 64,707.15	Database should have to been used to source quotations
	Isver Express CC	31-Aug-12	Unblocking of drainage System at Vaal Technorama by removing roots. Call out and labour and additional 2 hours were charged.	Municipal Manager	Corporate Services	R 2,223.00	Only one quote was sourced from the supplier in SDM's database
	Dhlamini Bus Service	31-May-12	The request was made very late during the knock-off time, it was impossible to follow normal procurement processes	Municipal Manager	Corporate Services	R 2,800.00	Only one quote was sourced by the End-user department
	The Laundry Lorry	7-Aug-12	Washing and re-installation of Speakers Office curtains	Municipal Manager	Office of the Speaker	R 690.00	Only one quote was sourced by the End-user department

## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Deviations Approved for the 2012-2013 financial year

### "ANNEXURE A"

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reasons for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
	African Auto Vereeniging	15-Aug-12	Towing of Murano to Star Nissan for repairs	Municipal Manager	Corporate Services	R 1,395.36	Only one quote was sourced by the End-user department
<b>DEVIATIONS APPROVED FOR THE MONTH OF SEPTEMBER 2012</b>							
	Mahale Auto Doctor CC	11-Sep-12	Replacement of brakes vacuum booster for Nissan Tiida, Registration Number: XHG 596 GP	Municipal Manager	Corporate Services	R 7,800.00	Single Sourcing
	Zox Trading and Projects CC	6-Sep-12	Repairs on the main gate of Vereeniging Taxi Rank. The gate was disrupting the flow of traffic, it was urgent that it be repaired to avoid losses and/or possible theft.	Municipal Manager	Corporate Services	R 28,500.00	Three quotes were sourced, without using the supplier database. (Rotation)
<b>DEVIATIONS APPROVED FOR THE MONTH OF NOVEMBER 2012</b>							
	M and H Pumps and Meter Services CC	6-Nov-12	Meter services for emergency services on the fuel pipes. Gas leakage posed a danger to the airport.	Municipal Manager	Corporate Services	R 56,735.52	A memo was written on 28/06/12 requesting authorization to enter into service level agreements with reputable companies for this purpose, this has not been implemented.



## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Deviations Approved for the 2012-2013 financial year

### "ANNEXURE A"

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reasons for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
	Thokozanibongi Enterprise CC	29-Nov-12	The decision to continue with the opening of Bophelong Taxi Rank was only taken late on Thursday last week after the taxi industry was threatening to disrupt the event. In addition the Director and Executive Director were not able to attend to the matter.	Chief Operating Officer	Transport Infrastructure & Environment	R 15,605.00	Quotes were sourced by TIE without following SCM processes.
	Blue Bash Trading Enterprises CC	29-Nov-12	The decision to continue with the opening of Bophelong Taxi Rank was only taken late on Thursday last week after the taxi industry was threatening to disrupt the event. In addition the Director and Executive Director were not able to attend to the matter.	Chief Operating Officer	Transport Infrastructure & Environment	R 57,000.00	Quotes were sourced by TIE without following SCM processes.
<b>DEVIATIONS APPROVED FOR THE MONTH OF DECEMBER 2012</b>							
	Brovopro 82 CC	20-Dec-12	There was a risk of health hazard at Sebokeng Taxi Rank; there was a need to stop the sewer pipes leakage which was causing the health hazard.	Municipal Manager	Corporate Service	R 178,900.00	Four Suppliers on the database was contacted to submit quotations, only one submitted due to the limited time.
	Imos Kitchens	07-Dec-12	There are only two suppliers registered to provide halaal catering service, only one was available for the day.	Municipal Manager	Corporate Service	R 2,400.00	Other suppliers to cater for Halaal was not available to provide the service

# Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

## Deviations Approved for the 2012-2013 financial year

"ANNEXURE A"

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reasons for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
<b>DEVIATIONS APPROVED FOR THE MONTHS FEBRUARY 2013</b>							
	M & M Pump and Meters Services CC	20-Feb-13	Three service providers were contacted and all failed to quote including one that supplied fuel at Emfuleni Local Municipality	Municipal Manager	Corporate Service	R 56,541.91	It is impractical to attain three quotes
<b>DEVIATIONS APPROVED FOR THE MONTHS APRIL 2013</b>							
	Kopano Inhlengano General Trading CC	17-Apr-13	Short Notice for loud hailing in Midvaal for four days with two cars	Municipal Manager	Office of the Speaker	R 8,800.00	Three quotes could have been obtained.
<b>DEVIATIONS APPROVED FOR THE MONTHS MAY 2013</b>							
	Rayten Engineering Solution CC	21-Jun-13	The formal procurement process was not followed, Only one quote received from the supplier database for Air Quality Specialist to conduct compliance monitoring	Chief Operating Officer	Transport Infrastructure and Environment	R 141,998.40	There was an urgent need for Air Quality Monitoring
	Sure Zorgvleit Travel CC	1-Jun-13	The Formal procurement process were followed, it was urgent request for Flight and Car hire to Durban	Chief Operating Officer	Transport Infrastructure and Environment	R 48,656.00	Normal SCM Processes should have been followed, if there was proper planning

**Sedibeng District Municipality**

Financial Statements for the year ended 30 June, 2013

**Deviations Approved for the 2012-2013 financial year****"ANNEXURE A"**

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reasons for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
	North Safety Product (Pty) Ltd	18-Jun-13	It was urgent for procuring Protective Clothing for Fresh Produce Market and Vereeniging Airport Staff	Chief Financial Officer	Corporate Service	R 42,655.30	Normal SCM Processes should have been followed, if there was proper planning
	IT'S Ink Print Solution and Internet CC	4-Jun-13	Request for Printing of IDP Document, the quote were above R30 000.00, Due to time constraints	Chief Financial Officer	Strategic Planning Environmental Development	R 69,175.00	Normal SCM Processes should have been followed, if there was proper planning
			<b>SUB-TOTAL FOR THE MONTHS JULY - JUNE 2013</b>			<b>R 893,239.52</b>	



## Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2013

### Deviations Approved for the 2012-2013 financial year

"ANNEXURE A"

SUMMARY OF EXPENDITURE INCURRED THROUGH DEVIATIONS:	
CLUSTER/DEPARTMENT	AMOUNT
Corporate Services	R 551,315.12
Office of the Speaker	R 9,490.00
Transport, Infrastructure and Environment	R 263,259.40
Strategic Planning Environmental Development	R 69,175.00
<b>Total amount of deviations accumulated for the financial year 2012/2013</b>	<b>R 893,239.52</b>